

# REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS

PNE AG ended the 2018 fiscal year with success in structural and operational terms. However, the resulting positive consolidated earnings (EBITDA and EBIT) were affected by unforeseen write-downs on three out of five onshore projects not yet completed. The reason is the draft of the 2019 land development plan, which was last discussed on January 31, 2019. Therefore, it is likely that the two projects "Atlantis" II and III will be realised. Because of the current regulatory requirements, the realisation of three offshore projects has become less likely, which is the reason for the reassessment of the balance sheet by the Board of Management. Irrespective of this, the Board of Management and the Supervisory Board continue to assume that the constitutional complaint submitted in 2017 will be admitted and successfully concluded for all five projects. Important operational successes were the contracts awarded for projects in tenders in Poland, the sale of projects in France and Poland and the completion of various wind farms both in Germany and abroad. We received milestone payments from the offshore wind farm projects sold in the past. Finally, we were able to achieve a new, improved foundation for corporate financing: The Company repaid a bond with a volume of euro 100 million and a coupon of 8 percent and issued a new bond with a volume of euro 50 million and a coupon of 4 percent.

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With the change of name to PNE AG resolved by the general meeting of shareholders on June 6, 2018, which was implemented shortly thereafter, and our claim "pure new energy", we make it clear that the Company now has a significantly broader base and is pursuing an expanded strategic orientation.

The Board of Management with CEO Markus Lesser, CFO Jörg Klowat and COO Kurt Stürken not only pushed ahead with these developments, but also worked on the implementation of the Company's expanded strategy. This created the prerequisites for giving substance to this strategic orientation in 2019 through the "Scale up" programme. It includes the preparations for entering new markets, the expansion of the services offered by the Company as well as the development of combined wind/photovoltaic projects and power-to-gas solutions. Based on the successful development of wind farm projects, which remains the core business, PNE AG will thus further develop into a "Clean Energy Solution Provider".

During the 2018 fiscal year, the Supervisory Board met for a total of 12 ordinary meetings on January 19, February 21 (by phone), March 21, April 23 (by phone), May 24 (by phone), June 5, June 6, August 8 (by phone), August 14 (by phone), September 26, October 24 (by phone) and December 6, 2018. Except for Dr. Niklas and Dr. Kruse, who were unable to attend one meeting, the Supervisory Board members took part in all meetings.

In accordance with the recommendation of the German Corporate Governance Code (GCGC), the Supervisory Board has enough independent members. In the opinion of the Supervisory Board, all Supervisory Board members in office since May 31, 2017 are independent.

In May 2017, the Supervisory Board determined, in accordance with Section 111 (5) sentence 1 of the German Stock Corporation Act (AktG), that the target figure for the proportion of women on the Supervisory Board shall be one sixth (16.67 percent), which is to be achieved by the end of the general meeting of shareholders which resolves on the official approval of the Supervisory Board's actions for the 2021 fiscal year. The target of women representing one sixth of the Supervisory Board members was fulfilled with the composition of the Supervisory Board on December 31, 2018 and will be achieved again as of the 2019 general meeting of shareholders.

The former Supervisory Board member Dr. Isabella Niklas has resigned from her office on the Supervisory Board as of December 31, 2018 due to a career change. Since May 1, 2018, Dr. Niklas has held the position of management board spokeswoman at Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV). We want to thank her for her expert and dedicated work on the Supervisory Board.

The general meeting of shareholders held on June 6, 2018 resolved the official approval of the actions of the Supervisory Board members for the 2017 fiscal year. In order to ensure the efficient handling of its tasks, the Supervisory Board has set up a Personnel Committee, an Appointments Committee and an Audit Committee.

The Personnel Committee held its meetings jointly with the Appointments Committee. During the 2018 fiscal year, they met for eight meetings on March 20, April 13, May 31 (by phone), June 5, October 9, October 18, October 30 and December 5, 2018. The topics of the meetings included the target agreements for the members of the Board of Management, the organisational structure to support the strategic programme "Scale up", the development of suggestions for the elections to the Supervisory Board and the efficiency review by way of a self-evaluation.

The Audit Committee met for a total of five meetings on March 20, May 8 (by phone), August 8 (by phone), October 15 (by phone) and November 6, 2018. The topics of these meetings were the audit of the annual financial statements as at December 31, 2017, the discussion of the half-yearly financial report and the quarterly statements of 2018 as well as the related recommendations to the Supervisory Board for the adoption of relevant resolutions. In addition, the Audit Committee dealt with the selection procedure for appointing the future auditors for the 2019 fiscal year. It was responsible for this process from designing the selection procedure, organising the public tender, and making recommendations to the Supervisory Board.

The Supervisory Board undertook the tasks for which it is responsible in accordance with the law, the articles of association and the internal regulations. It regularly advised the Board of Management concerning the management of the Company and supervised its activities. The Supervisory Board was directly included in all decisions of major importance for the Company. The Supervisory Board was punctually and fully informed in writing and at its meetings through written and verbal reports from the Board of Management about the current business developments and the asset, earnings and financial situation of the Company as well as about the planned business policy and the additional key questions of corporate planning,

especially regarding financial, investment and personnel planning. These various topics were discussed extensively by the Board of Management and the Supervisory Board. Furthermore, the Supervisory Board inspected and reviewed the books, documents and the schedules of assets. Particular emphasis was given to future liquidity planning and the financing structure of PNE AG and the Group. Moreover, the Supervisory Board was kept informed on a regular basis in the context of individual discussions with the Board of Management.

The Supervisory Board examined in detail all transactions and measures requiring its consent due to the legal provisions, the articles of association and the internal regulations of the Board of Management and adopted relevant resolutions.

The focus of the Supervisory Board's activities and topics during the 2018 fiscal year was on:

- » the reports and discussions concerning the annual and the consolidated financial statements as at December 31, 2017
- » the preparations for the general meeting of shareholders on June 6, 2018
- » the selection procedure for appointing the future auditors for the 2019 fiscal year
- » the medium-term corporate planning of the PNE Group
- » the reports on the development of current and planned business transactions
- » the discussions and resolutions regarding the share buyback programme
- » the reports and discussions concerning the further strategic development of the Company and the analysis of the shareholder structure
- » the discussions regarding the effects resulting from the changes in markets for renewable energies
- » the resolution on the issuing of the declaration of compliance with the German Corporate Governance Code

The Supervisory Board dealt particularly intensively with the strategic direction of the enterprise and the future orientation of the business model.

No conflicts of interest regarding the Board of Management and Supervisory Board members were reported in the year under review, nor did such conflicts become apparent.

The Supervisory Board also adopted its declaration of compliance. Furthermore, the Supervisory Board passed resolutions on other matters of the Board of Management.

The annual financial statements of PNE AG, the consolidated financial statements as well as the management report of PNE AG and of the Group were drawn up on schedule by the Board of Management. The auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed by the general meeting of shareholders on June 6, 2018, audited these statements and the accounting documents and issued an unqualified audit opinion on the annual financial statements and the consolidated financial statements as well as on the combined management and group management report.

The Supervisory Board issued the mandate for the audit of the 2018 financial statements on July 23, 2018. In accordance with the recommendations in no. 7.2.1 of the German Corporate Governance Code (GCGC), the Supervisory Board obtained, prior to issuing this

mandate, a declaration of the auditors as to which professional, financial or other relationships exist between the auditors and the Company, which might give rise to concerns regarding their independence. The declaration also included the scope of other consulting services, which were provided to the Company during the past fiscal year. According to the declaration submitted by the auditors to the Supervisory Board, there are no doubts regarding their independence.

The Supervisory Board informed the auditors about the main topics for the audit of the annual financial statements of PNE AG and of the Group for the 2018 fiscal year.

The financial statements of PNE AG, the consolidated financial statements, the combined management and group management report of PNE AG for fiscal 2018 and the reports of the auditors were made available on schedule to all Supervisory Board members prior to the meeting on the financial statements on March 22, 2019. The documents were comprehensively examined and discussed by the members of the Supervisory Board at the meeting of the Audit Committee on March 19, 2019 and at the meeting on the financial statements. The Chairman of the Audit Committee gave a report on the treatment of the financial statements and the consolidated financial statements by the Audit Committee to the full Supervisory Board at the meeting on the financial statements. Representatives of the auditors participated in the Supervisory Board's meeting on the financial statements as well as in the previous meeting of the Audit Committee, where they reported about the significant results of the audits with a special focus on the key audit matters and the audit measures performed. There were no objections. All questions of the Supervisory Board were answered fully following the reports from the Board of Management and the auditors. The Supervisory Board, after its own comprehensive examination of the annual financial statements, the consolidated financial statements, the combined management and group management report and based on the recommendations of the Audit Committee, consented to the result of the audits by the auditors.

The Supervisory Board approved the annual financial statements as at December 31, 2018 of PNE AG and the consolidated financial statements as at December 31, 2018. The financial statements were thus adopted. The proposal of the Board of Management regarding the appropriation of profits was reviewed and approved by the Supervisory Board in accordance with the interests of the Company and the shareholders.

The regulations and obstacles which could impede the takeover of and exercise of control over the Company by third parties were reviewed and analysed by the Supervisory Board. The Supervisory Board does not consider any changes to be necessary in this respect.

The Supervisory Board wishes to thank the members of the Board of Management as well as all employees of PNE AG for their outstanding commitment and responsible and successful work during the 2018 fiscal year.

Cuxhaven, March 22, 2019



Per Hornung Pedersen  
Chairman of the Supervisory Board